

Meeting Minutes
November 17, 2003

Town of Los Altos Hills City Council Special Meeting

Monday, November 17, 2003, **5:00** P.M.
Council Chambers, 26379 Fremont Road

1. CALL TO ORDER, ROLL CALL, AND PLEDGE OF ALLEGIANCE

Mayor Cheng called the Special Meeting of the City Council to order at 5:08 p.m. in the Council Chambers at Town Hall.

Present: Mayor Cheng, Mayor Pro Tem O'Malley, Councilmember Fenwick and Councilmember Kerr
Finance and Investment Committee Members Lalla Carsten (Chair), Craig Jones, Frank Lloyd and Roy Rogers
Absent: Councilmember Warshawsky
Finance and Investment Committee Members Wilfred Corrigan, Lall Jain and R. Douglas Norby
Staff: City Manager Maureen Cassingham, City Engineer/Director of Public Works Mintze Cheng, Administrative Services Director Sarah Joiner, Accountant/Office Manager Cindy Higby and City Clerk Karen Jost
Press: Kaye Ross, San Jose Mercury News

2. DISCUSSION OF THE NEW TOWN HALL PROJECT BUDGET AND FINANCING

Councilmember Kerr reported that the project estimates before the Council and Committee for review had been prepared by Toeniskoetter & Breeding, Inc. (TBI), construction management consultants. The facility's design and estimated costs have been reviewed by the Town Hall Committee. There are some cost numbers that are being redefined/challenged by the Committee, but the over-all projections are "solid numbers".

Kerr noted that the protect total of \$3,764,924 includes both soft and hard costs (i.e. staff relocation, demolition, architect fees, construction management fees, site work, furnishings and contingency fees). Any project overruns will come from revenues realized from the donor wall. Duffy Price is chairing this project. The alternative energy program that is being investigated for the new Town Hall should be self-financing through grants and low interest loans.

Peter Duxbury, Architect for the new Town Hall, introduced himself. He made a brief presentation and answered questions from the Committee.

Discussion ensued regarding financing options for the new Town Hall. The Town could finance the entire cost of the project; finance a portion of the project and pay the

remainder from Town reserves; or pay for the project entirely from Town reserves. Certificates of Participation (COP) were reviewed as a financing tool. This method would not require a vote of the people. The Town would work directly with a bank as trustee and JPA as a lessor.

At the conclusion of the discussion, Council directed the Finance and Investment Committee to review in earnest, financing options for the project, including: 1) what types of financing are available and the costs associated; 2) what policies are in place in similarly situated Towns for using reserves as a method of financing projects and what their reserve balances are; and, 3) to make a recommendation to the City Council at their second meeting in January, 2004.

3. PRESENTATION OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2003

Administrative Services Director Sarah Joiner introduced this item to the Council and Committee. Joiner explained that she had met with the Finance and Investment Committee and A.J. Major, of Vavinek, Trine Day & Co. the Town's auditors on November 10, 2003 to review the draft Financial Statements for the fiscal year ended June 30, 2003. The auditor expressed an unqualified opinion, indicating that the statements have been prepared in conformity with generally accepted accounting principles. Carsten reported that the audit would be submitted to several professional groups for potential recognition as award winning financial statements.

Frank Lloyd shared a faxed response he had received from Mr. Major to several inquiries he had posed at the meeting. Lloyd had asked the auditor to comment on the accounting practices of depreciating capital and fixed assets. Mr. Major had responded that governmental funds (i.e. the general, special revenue, and capital project funds) are required to use the modified method accrual method of accounting. The proprietary funds use the full accrual method of accounting. Lloyd summarized the letter by saying that the auditor had noted that it would be inappropriate and not accepted accounting principles to record long-term assets and depreciate them in a governmental fund.

Frank Lloyd discussed a spread sheet of the overview of Town finances as of June 30, 2004 that was distributed to the group. Lloyd explained that people generally do not understand the Town's finances and the overview is a good instrument/analysis to assist residents appreciate the Town's finances.

Joiner will be making a presentation of this item before Council at their next regularly scheduled City Council meeting of November 20, 2003.

4. STUDY SESSION ON THE PROPOSED REVISED OPERATING AND CAPITAL IMPROVEMENT BUDGETS-FISCAL YEAR 2003-2004

Administrative Services Director Joiner introduced this item. She explained that at the time Council adopted the operating and Capital Improvement Program Budgets for Fiscal Year 2003-2004 in June, 2003, Council directed staff to report back after the State budget adoption with updated estimates and recommendations. Attached to her staff report was a worksheet that included original estimates and revised estimates. Joiner noted that the

Finance and Investment Committee had met to consider the budget adjustments and recommendations. The Committee recommended that all budget adjustments be approved by the City Council, with the exception of \$16 000 for the undergrounding phone survey. The Committee wanted more information on this request.

Steve Schmidt, Undergrounding Subcommittee member, was present to answer questions of the Council and Committee. He explained that the phone survey would be undertaken by a professional research firm that had performed a similar survey for Manhattan Beach during their investigation of undergrounding of utilities. The survey would provide the Town with the necessary information to make a decision on whether to proceed with the project. Schmidt added that it was a good leverage of dollars considering the potential cost of undergrounding utilities to the Town.

The budget adjustments to the Operating and Capital Improvement Program Budgets for Fiscal Year 2003-2004 Based on Adopted State Budget will be considered by Council for approval at their next regular schedule meeting of November 20, 2003.

5. PRESENTATIONS FROM THE FLOOR

None

6. ADJOURNMENT

Mayor Pro Tem O'Malley thanked the Finance and Investment Committee for their participation in tonight's meeting. He noted it had been a good dialogue. Administrative Services Director Sarah Joiner and Accountant/Office Manager Cindy Higby were praised for their efforts and congratulated on the excellent financial statement presentation and auditors findings.

Mayor Cheng thanked everyone for their participation.

MOTION SECONDED AND CARRIED: Moved by O'Malley, seconded by Fenwick and passed unanimously to adjourn the Special City Council meeting at 6:30 p.m.

Respectfully submitted,

Karen Jost
City Clerk

The minutes of the November 17, 2003 Special City Council Meeting were approved at the December 4, 2003 Regular City Council Meeting.